



## **STATE OF NEW JERSEY**

### **Board of Public Utilities**

**Two Gateway Center**

**Newark, NJ 07102**

**[www.bpu.state.nj.us](http://www.bpu.state.nj.us)**

#### WATER AND WASTEWATER

IN THE MATTER OF THE PETITION OF )	ORDER ADOPTING INITIAL
GORDON'S CORNER WATER COMPANY )	DECISION/SETTLEMENT
FOR AN INCREASE IN RATES AND )	
CHARGES FOR WATER SERVICE )	BPU DOCKET NO. WR03090714
	OAL DOCKET NO. PUCRS08546-2003S

(SERVICE LIST ATTACHED)

#### BY THE BOARD:

On September 17, 2003, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, Gordon's Corner Water Company (Gordon's Corner or Company), a public utility of the State of New Jersey filed a petition with the Board of Public Utilities (Board) seeking approval of an increase in rates and charges for water service.

Gordon's Corner serves approximately 14,300 customers in portions of the Township of Manalapan and Marlboro in Monmouth County, New Jersey. The Company's rate request would have resulted in an increase in total Company revenues of \$1,101,028 or 14.48% over annual pro forma present revenues for the period ending December 31, 2003.

After extensive settlement discussions between the Company, the Ratepayer Advocate (RPA) and Board Staff (Staff), an increase of \$465,000 representing a 5.91% increase over current rates was agreed to and is approved herein by this Order. The Township of Manalapan was an active Intervenor. By letter dated April 13, 2004, the Township of Manalapan advised the assigned Administrative Law Judge (ALJ) that it did not oppose the settlement.

#### PROCEDURAL HISTORY

On October 22, 2003, this matter was transmitted to the Office of Administrative Law (OAL) and assigned to ALJ Douglas H. Hurd. A pre-hearing conference was conducted by ALJ Hurd on January 29, 2004.

A public hearing was held on March 8, 2004, at the Manalapan Township Municipal Building in Manalapan Township, Monmouth County. Five members of the public were in attendance. One individual, counsel for the Marlboro Township Board of Fire

Commissioner District 2, voiced concerns over the amount of the proposed increase and also provided positive feedback regarding the Company's exceptional service.

Subsequent to the public hearing, the Parties consisting of the Company, the RPA and Staff engaged in settlement negotiations. In addition to the Parties, the Township of Manalapan (Manalapan) was granted intervener status. The Parties reached a settlement on all issues (Stipulation or Settlement). By letter dated April 13, 2004, Manalapan indicated to ALJ Hurd that it would not oppose the Stipulation.

ALJ Hurd issued his Initial Decision<sup>1</sup> recommending adoption of the Stipulation executed by the Parties, finding that the Parties had voluntarily agreed to the Settlement and that the Settlement fully disposes of all issues and was consistent with the law.

### STIPULATION

As more fully set forth in the attached Stipulation,<sup>2</sup> the Parties agreed that:

- a) the test year ended December 31, 2003, adjusted for known and measurable changes, is a reasonable and proper test period (Settlement paragraph 7).
- b) the rate base is stipulated to be \$9,700,076, and that a fair overall rate of return is 8.82% which reflects a cost rate for common equity of 9.75% (Settlement paragraph 8).
- c) the Company's required operating income is \$855,547 and the total revenue at proposed rates is \$8,333,046. Pro forma present revenues are \$7,868,046 which, when subtracted from the total revenue requirement, necessitates a revenue increase of \$465,000 or 5.91% over pro forma current revenues (Settlement paragraph 9).
- d) the revenue requirement to which the Parties have stipulated herein is necessary to ensure that the Company will continue to provide safe, adequate and proper water service to its customers (Settlement paragraph 10).
- e) attached hereto as Schedule B are tariff sheets containing the rates and charges conforming to this Stipulation and designed to produce the stipulated annual revenues (Settlement paragraph 11).
- f) attached hereto as Schedule C is a schedule demonstrating that the new rates will produce the stipulated revenues and reflecting the percentage increase for each service classification (Settlement paragraph 12).
- g) the Company will file a new tariff with the Board, in conformity with this Stipulation, to become effective on such date as the Board may direct (Settlement paragraph 13).

---

<sup>1</sup> There is a typographical error in Docket Numbers shown on the Initial Decision. The Docket Numbers shown on Stipulation and this Order controls.

<sup>2</sup> Cited paragraphs references below are in the Settlement document. This is only a summary, the full Settlement document controls, subject to the Board's findings and conclusions contained herein.

- h) this filing resulted in the establishment of base rates in a base rate proceeding within the meaning of the applicable Purchased Water Adjustment Clause (PWAC) regulations N.J.A.C. 14:9-7 et seq. The purchased water expense level in this case is \$3,158,574, which is based upon the Company paying the following rates per thousand gallons to its suppliers: (i) Marlboro MUA, \$2.93587; (ii) United Water/Matchaponix Water Company, \$2.55; and (iii) Aberdeen Township \$1.17. The total volume of purchased water that was used in establishing base costs was 1,227,530 million gallons (mg). Schedule D reflects the purchased water volume and costs (Settlement paragraph 14).
- i) the Company will undertake a systematic study of the potential opportunities for conservation and water re-use throughout its service territory and identify initiatives, if any, that will maximize the conservation of potable water use. The Company shall provide this information within three years or at the time of the filing of its next base rate case, whichever comes first (Settlement paragraph 15).

In addition, the Company will include a new tariff page that will provide language to establish terms and conditions for separate categories of usage for residential and commercial customer's water usage. The tariff provisions will include a special seasonal rider to the General Metered Service (GMS) tariff for both residential and commercial customers which will provide indoor and outdoor water usage (summer/winter). However, the rates used for each tariff rider will remain the same as the rates for GMS customers in this rate proceeding. The Board will examine whether and on what basis to establish such terms and conditions in the Company's next base rate proceeding.

Finally, the Company will undertake to identify system growth within its planning area, wherein the planning area has the meaning assigned by the Office of State Planning, and to review its system maps to identify planning areas, where feasible, and other concepts as the Company believes necessary. The Company will provide this information to the Board Staff and the Ratepayer Advocate in its next base rate proceeding.

### DISCUSSION AND FINDINGS

As a result of the Stipulation, a residential customer using approximately 114,000 gallons of water per year will experience an increase from \$499.50 per year (\$124.87 per quarter) to \$528.61 per year (\$132.15 per quarter). This represents an annual increase of 5.83% or \$29.11 per year or \$7.28 per quarter.

The Board having reviewed ALJ Hurds' Initial Decision and the Stipulation approved therein, FINDS that the Parties have voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board notes that the Township of Manalapan does not oppose the Settlement. Thus, the Board FINDS the Stipulation to be reasonable and in the public interest. The Board HEREBY ADOPTS the Initial Decision and the Stipulation attached, hereto, as its own incorporating by reference the terms and conditions as if fully set forth at length herein, subject to the following:

- a) The test year ended December 31, 2003, adjusted for known and measurable changes, shall be a reasonable and proper test period.

- b) The rate base shall be \$9,700,076, and that a fair overall rate of return shall be 8.82% which reflects a cost rate for common equity of 9.75%.
- c) The Company's required operating income shall be \$855,547 and the total revenue at proposed rates shall be \$8,333,046. Pro forma current revenues are \$7,868,046 which, when subtracted from the total revenue requirement, results in a revenue increase of \$465,000 or 5.91% over pro forma current rate revenue.
- d) The revenue requirement to which the Parties have stipulated to herein is necessary to ensure that the Company shall continue to provide safe, adequate and proper water service to its customers.
- e) The tariff sheets containing the rates and charges shall conform to this Stipulation and shall be designed to produce the additional annual revenues.
- f) The new rates shall produce the revenues to which the Parties have stipulated to herein, and shall reflect the same percentage increase for each service classification.
- g) The Company shall file a new tariff with the Board, in conformity with this Stipulation within ten (10) days of the effective date of this Order.
- h) This filing shall result in the establishment of base rates in a base rate proceeding within the meaning of the applicable Purchased Water Adjustment Clause (PWAC) regulations N.J.A.C. 14:9-7 et seq.
- i) The Company shall undertake a systematic study of the potential opportunities for conservation and water re-use throughout its service territory and identify initiatives, if any, that will maximize the conservation of potable water use. The Company shall provide this information within three years or at the time of the filing of its next base rate case, whichever comes first.
- j) The Company shall include a new tariff page that shall provide language to establish terms and conditions for separate categories of usage for residential and commercial customer's water usage. The tariff provisions shall include a special seasonal rider to the General Metered Service (GMS) tariff for both residential and commercial customers which shall provide indoor and outdoor water usage (summer/winter). However, the rates used for each tariff rider shall remain the same as the rates for GMS customers in this rate proceeding.
- k) The Company shall: (a) provide an analysis of system growth for each planning area<sup>3</sup>, where feasible, wherein "planning area"<sup>4</sup> has the meaning assigned by the

---

<sup>3</sup> Planning is to be coordinated with local, county and state authorities.

<sup>4</sup> See New Jersey Development and Redevelopment Plan definitions: Areas for Growth: Metropolitan Planning Areas (Planning Area 1), Suburban Planning Areas (Planning Area 2) and Designated Centers in any planning area. Areas for Limited Growth: Fringe Planning Areas (Planning Area 3), Rural Planning Areas (Planning Area 4) and Environmentally Sensitive Planning Areas (Planning Area 5). In these planning areas, planning should promote a balance of conservation and limited growth-environmental constraints affect development and preservation is encouraged in large contiguous tracts. Areas for Conservation: Fringe Planning Areas (Planning Area 3), Rural Planning Areas (Planning Area 4), and Environmentally Sensitive Planning Areas (Planning Area 5).

Office of State Planning; (b) evaluate initiatives to support Smart Growth; (c) identify planning areas on system maps, where feasible; and (d) develop other concepts to support Smart Growth as the Company believes necessary.

The Board HEREBY ADOPTS the tariff pages attached to the Stipulation, as consistent with the terms of the Stipulation and effective for service as of the date of this Order.

DATED: **5/27/04**

BOARD OF PUBLIC UTILITIES  
BY:

**(SIGNED)**

\_\_\_\_\_  
JEANNE M. FOX  
PRESIDENT

**(SIGNED)**

\_\_\_\_\_  
FREDERICK F. BUTLER  
COMMISSIONER

**(SIGNED)**

\_\_\_\_\_  
CAROL J. MURPHY  
COMMISSIONER

**(SIGNED)**

\_\_\_\_\_  
CONNIE O. HUGHES  
COMMISSIONER

**(SIGNED)**

\_\_\_\_\_  
JACK ALTER  
COMMISSIONER

ATTEST:

**(SIGNED)**  
KRISTI IZZO  
SECRETARY

**IN THE MATTER OF THE PETITION OF  
GORDON'S CORNER WATER COMPANY  
FOR APPROVAL OF AN INCREASE IN RATES  
AND CHARGES FOR WATER SERVICE**

**DOCKET NO. WR03090714**

**SERVICE LIST**

Douglas R. Kleinfeld  
Kleinfeld & Kleinfeld  
219 South Street  
New Providence, NJ 07974

Robert R. Brabston, Esq.  
Debra Robinson, Esq.  
Office of the Ratepayer Advocate  
31 Clinton St. – 11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, NJ 07102

Walter Cota  
New Jersey Division of Taxation  
Public Utilities Tax Section  
50 Barrack Street  
P.O. Box 246  
Trenton, NJ 08695-0246

Carla Bello, SDAG  
Alex Moreau, DAG  
Department of Law and Public Safety  
124 Halsey Street  
P.O. Box 46005  
Newark, NJ 07102

Dr. Fred Grygiel, Chief Economist  
David Gartenberg, AA II  
Dante Mugrace, Chief  
Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102